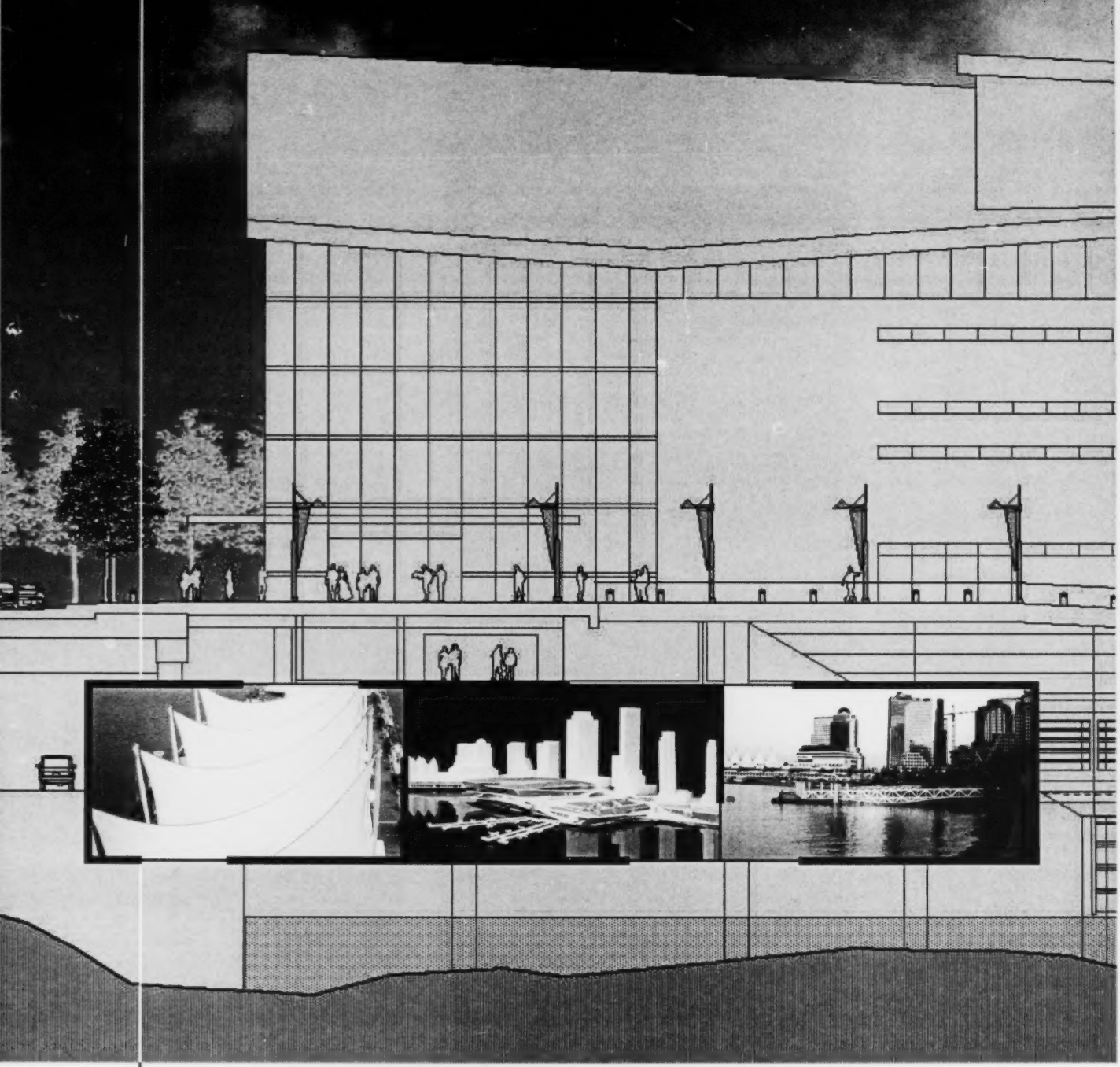

ANNUAL SERVICE PLAN REPORT
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CONVENTION CENTRE EXPANSION
PROJECT

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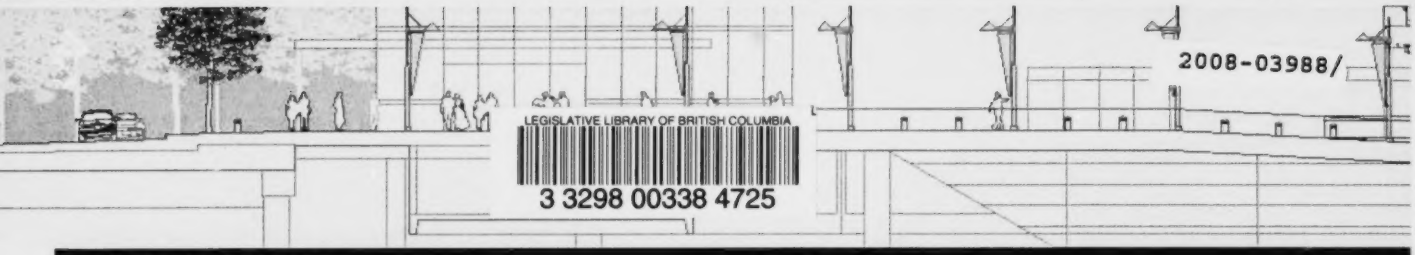

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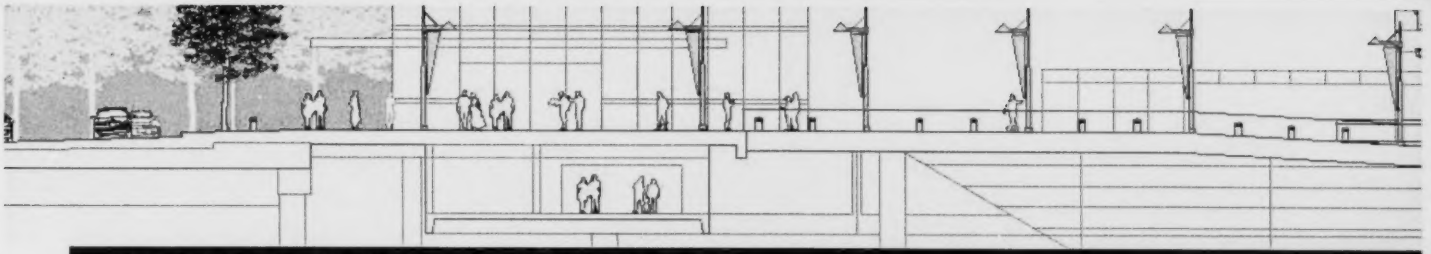


MESSAGE FROM THE CHAIR TO MINISTER RESPONSIBLE

To the Minister of Tourism, Sport and the Arts:

On behalf of the Board of Directors of the Vancouver Convention Centre Expansion Project Ltd. (VCCEP), I am presenting the 2006/07 Annual Service Plan Report. It should be noted that I assumed responsibility as Chair of VCCEP on April 16, 2007. At the request of the Provincial Government, I am currently conducting an in-depth review of the construction project. Results of this review, together with a comprehensive Project Budget and Schedule will be available at the end of June, 2007.

The VCCEP Project faces several significant challenges, many of which relate to an overheated construction environment, unprecedented increases in the cost of building materials and a severe shortage of available, skilled construction trades. The Project's challenges have been further aggravated by: delays in completion of Project design; protracted negotiations of a stipulated lump sum construction contract; delays in finalizing Project approvals including the Project's Development Permit; difficulties in coordination of the design process; and limited active involvement of the facility's operator from first inception of the Project.

The Project's schedule has been extended from original estimates, however, the Expansion Facility is now taking shape as erection of the building's eastern-side steel framework proceeds.

VCCEP's construction progress this year included continued efforts to complete construction documentation and finalize remaining details of design, completion of site preparation, ground densification, offshore compaction grouting, and pile driving. As of March 31, 2007, the concrete foundation was 85% complete and steel erection was 25% complete. Substantial progress was made on agreements for Communications, Integrated Building Systems, and Commercial Development opportunities (retail, parking, and water lot) with the proponents under the Corporation's Revenue Generation program. Treasury Board direction on whether to receive revenue payments upfront or by way of equivalent payments over time is yet to be obtained.

In 2007/08, I look forward to working with the recently expanded Board of Directors with its common membership with that of BC Pavilion Corporation. 2007/08 will also see closer integration of project and operations staff in delivery of the Expanded Facility and focus on ensuring a seamless transition from construction through commissioning to operations of the combined facilities in the first quarter of 2009.

Construction of the Expanded Facility commenced in October, 2004. As of March 31, 2007, approximately 35% of total construction had been completed (29 months). To achieve delivery of the Expanded Facility on March 15, 2009, approximately 65% of total construction must be completed in 23 months.

The recommendations of the Project review which I have been tasked by the Province to complete will be reported out by the end of the June, 2007 following which the Project's final budget and schedule will be confirmed. We are already solidifying a new working relationship with our construction manager under our recently negotiated stipulated lump sum contract. The Project will also benefit from the findings and recommendations of the review being conducted by the Office of the Auditor General of British Columbia, at the behest of VCCEP's previous Board of Directors.

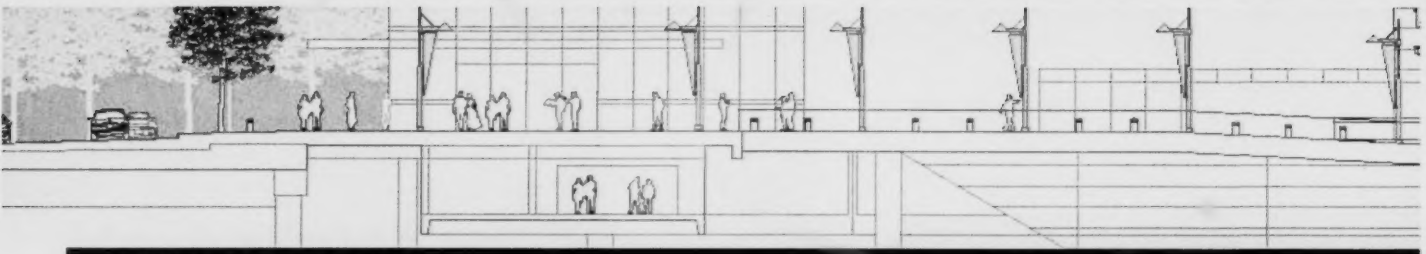
During the next year, the foundation, structural steel, and the connector to Canada Place are scheduled to be completed; installation of the glazed curtain wall will be significantly progressed; and installation of the living roof and interior finishes will commence. Maintaining the Project's schedule and change order management will remain significant challenges for the duration of construction.

As of March 31, 2007, VCCEP had received interim budget revisions totaling $68.1 million raising its interim total to $683.1 million (compared to the $623.1 million reported in its 2007/08-2009/10 Service Plan). Subsequent to year end, VCCEP received a further interim lift of $86 million in April, 2007 for a total current interim budget of $769.1 million. These revisions ensured that the construction schedule would be maintained and that VCCEP had sufficient uncommitted budgetary provision to enter into the stipulated lump sum construction management contract pending Treasury Board's confirmation of the total budget required for the Project's completion. Funding was also approved for construction of a central mechanical plant (to provide heating and cooling services) that was added to the Project's Scope.

I am pleased to recognize the contributions of former Directors Bruce Okabe, Deputy Minister of Tourism, Sport and the Arts, and of Andrew Wilkinson, and acknowledge the efforts of former VCCEP Chair, Ken Dobell, from the Project's inception in 2003 through March 31, 2007.

In addition, I would like to take this opportunity to thank my fellow Directors; Management and Staff, for their hard work; and the Minister and his Staff for their continuing support of this landmark Project on Vancouver's waterfront.

David Podmore, Chair
Board of Directors



ACCOUNTABILITY STATEMENT

The 2006/07 Vancouver Convention Centre Expansion Project Ltd. (VCCEP) Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of VCCEP for the twelve months ended March 31, 2007 in relation to the February 2006 service plan. The measures presented are consistent with VCCEP's mission, goals and objectives, and focus on aspects critical to the organization's performance.

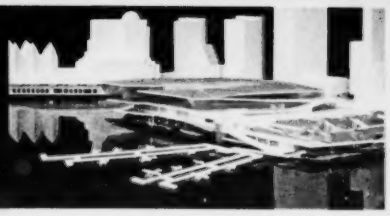
The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of May 17, 2007 have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management but may need to be adjusted when the results of the comprehensive Project review initiated in April 2007 and due to be completed on June 30, 2007 under the direction of the new Board Chair (D. Podmore appointed Chair of both VCCEP and BC Pavilion Corporation on April 16, 2007) are received. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the Corporation's February 2006 service plan was released and any significant limitations in the reliability of data are identified in the report.

Dave Podmore

David Podmore, Chair
Board of Directors

ORGANIZATION OVERVIEW



VISION

Create a unique waterfront experience for visitors and citizens alike and thereby enhance Vancouver's position as a global destination in the convention centre market.

MISSION

To design, construct and commission a world-class expansion of Vancouver's existing Canada Place convention and exhibition facility.

OVERVIEW

Vancouver Convention Centre Expansion Project Ltd. (VCCEP) is a special purpose project-specific Provincially held limited corporation incorporated under the *BC Business Corporations Act* on February 13, 2003.

VCCEP's mandate is to design, construct and commission an expansion to the existing Vancouver Convention and Exhibition Centre including the following:

- Construction of new facilities on the Burrard Landing Site, west of Canada Place;
- Renovation of existing leased facilities within Canada Place; and
- Linking of the two sites to form an integrated convention and exhibition centre.

In June 2004, the Provincial Government approved a Project Budget of $565.0 million with confirmed contributions from the Province of BC ($222.5 million); Government of Canada ($222.5 million); and Tourism Vancouver ($90.0 million). The balance of the Project's Budget was to be made up through the Corporation's Revenue Generation program of not less than $30.0 million. In July, 2005, Treasury Board approved a Project Budget of $615 million and increased the Province's contribution by up to $50 million (to a total of up to $272.5 million).

At March 31, 2007, the Provincial Treasury Board has approved interim budget lifts totaling $68.1 million to bring the total Project budget to $683.1 million. These increases were necessitated to cover the cost of additional public amenities and the vastly escalated costs of construction being incurred in building out the Project's full programmatic and architectural scope. Subsequent to year end, the Provincial Treasury Board approved another interim budget lift of $86 million in order to secure conversion of the Construction management contract, thus increasing the Project's budget to $769.1 million (and raising its contribution to a maximum of $426.6 million).

The Project's final Budget is expected to be established by Treasury Board in the second quarter of 2007/08 following submission of the findings of a Provincial review of options for the completion of the expansion's construction and for operations of the combined facility following its completion. Projected expenditures to complete the Project are in the range of $800 million (based on currently approved budgets of $20.0M, $20.0M, and $7.5M respectively for the Canada Place upgrade, Canada Place connector, and Furniture, Fixtures and Equipment – preliminary findings of the new VCCEP Chair's review suggest these amounts may not be adequate).

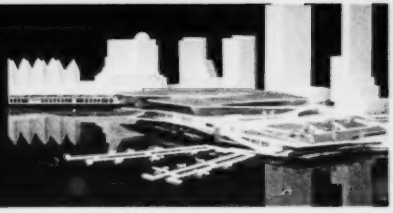
The Expansion Project is scheduled for substantial completion in mid-March 2009 following which upgrades to the existing facility will be completed. Both the existing and the expanded facilities will be made available as the international broadcast and print media centres for the 2010 Winter Olympic Games.

Previous independent reviews have confirmed that the state-of-the-art convention centre and upgrades to the existing Convention Centre has the ability to generate positive, long-term impacts on tourism and contribute to future economic growth for British Columbia and Canada. Project benefits arise firstly from its construction, followed by incremental convention attendance and onward visitation of non-resident delegates, and finally by repeat tourist visits by previous delegates and their families. All of these occurrences create or sustain employment, and generate economic activity throughout British Columbia.

Currently, VCCEP has two full-time and two part-time employees. It utilizes the equivalent of 14.5 FTE contract project management and administrative staff.

VCCEP's financial management is governed by the *Financial Administration Act*. VCCEP also acts in accordance with the *Financial Information Act*, *Budget Transparency and Accountability Act* and the *Capital Asset Management Framework Guidelines* issued by the Ministry of Finance.

REPORT ON PERFORMANCE



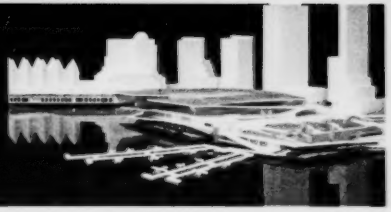
VCCEP's Service Plan for 2007/08 – 2009/10 was completed during the preparation of a revised Budget, Scope and Schedule for the Project. Specific performance measures and benchmarks for the corporation's core business objectives were outlined in this Service Plan, which was released by Government on February 20, 2007.

Throughout this past year, VCCEP completed several components of the Project including construction documentation, site preparation, ground densification, and pile driving. The concrete foundation and structural steel erection achieved 85% and 25% completion respectively. However, VCCEP was challenged to maintain schedule progress against its construction milestones (construction "float" time was consumed and the forecast date for substantial completion was pushed back to Spring 2009). Finalization of detailed design and design coordination amongst consultants and subcontractors, especially with respect to structural steel erection, remains critical to scheduled completion.

The robust provincial economy and successful negotiation of value proposals resulted in the conclusion of revenue generation agreements with three major business alliance partners. These agreements confirm that VCCEP could generate $70.1 million in up front payments under this program depending upon direction yet to be received from Treasury Board as to whether this revenue is to received as such or as equivalent payments over time.

VCCEP continued to face significant challenges throughout 2006/07 in managing its construction expenditures within budget as escalation of material costs and labour challenges considerably exceeded forecasts. In order to enter into schedule-sensitive construction commitments impacted by unbudgeted cost escalation through March 2007, the Project consumed its budgeted capital cost allowances and available Project Contingency and received interim budgetary lifts totaling $68.1 million from the Province to bring the Project budget to $683.1 million at March 31, 2007. A further interim lift of $86.1 million (to the current total of $769.1 million) was approved in April to enable the Corporation to convert the construction manager's current contract to a stipulated lump sum contract.

A provincially initiated review of options for managing the completion of construction and for managing and funding the operation and marketing of the combined facilities post-commissioning is expected to report out by the second quarter of 2007/08 following which the Project's final budget will be established by Treasury Board. Current forecast expenditure projections would set the final Project budget in the range of $800 million (note: qualification under "overview" above).



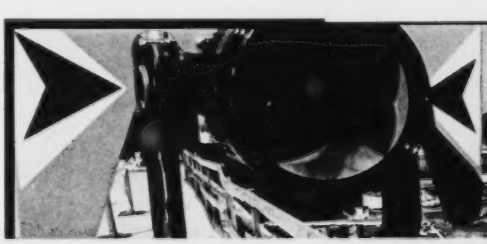
GOAL #1

To design, build and commission an expansion to the existing Vancouver Convention and Exhibition Centre (the Expansion Project) and to design and construct a connector between the new and existing facilities and to undertake renovations within Canada Place (together, the Integration Program).

VCCEP's strategy is to optimize schedule, budget and quality objectives through continuous and rigorous monitoring of progress towards achievement of Project milestones and by transparent corporate reporting on a monthly, quarterly and annual basis.

MEASURES	PRIOR YEARS' RESULTS		CURRENT YEAR (2006/07)		FUTURE YEARS' TARGETS	
	2004/05	2005/06	Targets	Results	2007/08	2008/09
Meet Schedule, Budget and quality objectives Report Progress Against Milestones	Set milestone targets for budget, schedule and quality objectives Commenced foundation construction, pile driving, design development and Canada Way viaduct	Updated milestone targets to meet revised budget, schedule and quality objective Managed construction to date within approved budget Completed construction of Canada Way viaduct Pile Driving 93% Complete Foundation Construction 17% Complete Structural Steel deferred to 2006/07 Construction documents 75% Complete	Meet budget, schedule and quality objectives Complete pile driving Commence structural steel erection, foundation construction and connector construction	Not achieved; Budget and Schedule impacted by market escalation, structural steel design details and skilled labour supply Completed: pile driving, 100% City of Vancouver parkade Interim budget lifts of $68.1M approved; final budget to be approved in July, 2007; substantial completion deferred to March, 2009 [1] Foundation concrete advanced to 85% Commenced structural steel erection and Connector construction Realized independent third party contributions to the Project	Meet revised budget, schedule and quality objectives Complete detailed design, foundation concrete and structural steel erection Continued exploration of third party contributions Complete Connector construction Commence central mechanical plant construction, glazed wall installation, living roof construction, and interior finishes	Commence Canada Place upgrades Complete: central mechanical plant, glazed wall installation, living roof, interior finishes, and the water management showcase project Achieve substantial completion

[1] *A further interim lift of $86.0 million was approved in April 2007. The Project's final budget is expected to be confirmed by July, 2007.*



GOAL #2

To effectively manage the Project Budget, Schedule, and related activities to ensure timely delivery of the Project within its established Budget.

VCCEP's strategy is to follow the best practices and fulfill the disclosure requirements of the Province's Board Resourcing and Development Office's (BRDO) best board governance practices.

MEASURES	PRIOR YEARS' RESULTS		CURRENT YEAR (2006/07)		FUTURE YEARS' TARGETS	
	2004/05	2005/06	Targets	Results	2007/08	2008/09
Follow the Province's Board Resourcing and Development Office (BRDO) best practices for board governance Fulfill the disclosure requirements set out in the Guidelines beginning with its 2004/05 Annual Service Plan Report	Identified and met disclosure requirements (evaluation process published in Summer 2005) As part of its oversight responsibilities, the Board of Directors undertook monthly reviews of budget and schedule External auditors provided quarterly financial reviews and annual financial audit Established Project and quality management procedures (Project Implementation Plan and Project Management Procedures Manual)	Met disclosure requirements Adopted Board approved Whistle Blower Policy Posted PIP and non-confidential portions of Governance manual on website	Meet disclosure requirements Follow all governance best practices guidelines	Reporting of fore-cast expenditures to completion limited to approved interim budgets pending confirmation of final budget Otherwise, followed governance best practices guidelines As part of its oversight responsibilities, the Board of Directors undertook monthly reviews of budget and schedule External auditors provided quarterly financial reviews and annual financial audit OAG [1] engaged by Board to review governance, project management, and procurement practices and reasons for cost escalation – report anticipated in the 2nd quarter of FY 07/08	Meet disclosure requirements Follow all governance best practices guidelines	Meet disclosure requirements Follow all governance best practice guidelines

[1] *Office of the Auditor General of British Columbia*

GOAL #3

Implement and manage an effective revenue generation program to meet the Project's Budget requirements.

VCCEP's strategy is to identify potential sources of revenue and to conclude revenue producing business alliance agreements.

MEASURES	PRIOR YEARS' RESULTS		CURRENT YEAR (2006/07)		FUTURE YEARS' TARGETS	
	2004/05	2005/06	Targets	Results	2007/08	2008/09
Identify potential sources of revenue and conclude business alliance agreements that contribute to the generation of a minimum of $30 million by 2008/09	Contracted Revenue Generation specialists Identified potential sources of revenue Initiated discussions with potential business alliances	Selected three major preferred business alliance proponents through RFP process Concluded agreements with all three preferred proponents	Continue to identify potential sources of revenue Conclude additional agreements	Confirmed ability to generate $70.1 million (as up front payments) Confirmed donation of hemlock from forest industry	Continue to identify potential sources of revenue Conclude additional agreements	Continue to identify potential sources of revenue Conclude additional agreements

In fiscal 2006/07, a second scope revision was approved by the Province. This revision incorporated the construction of a central mechanical plant within the Expansion Facility to deliver its heating and cooling requirements. The business case for this revision demonstrated significant life cycle cost savings over purchase of theses needs through the previously envisioned long-range utility contract with the current facility's provider.

The impacts of the second revised Scope are reflected in VCCEP's Service Plan for 2007/08 – 2009/10 and both are reflected in this 2006/07 Annual Service Plan Report.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

VCCEP's strategic priorities are consistent with and support the Government's strategic priorities. VCCEP is an integral part of the Government's plan to promote economic growth and revitalize the British Columbia economy.

Management Discussion and Analysis

At March 31, 2007 the currently approved Project Budget totaled $683.1 million and is to be funded by the Province of BC (up to $340.6 million), Government of Canada ($222.5 million), Tourism Vancouver ($90.0 million) and VCCEP Revenue Generation (not less than $30.0 million). The allocation of this funding to VCCEP's discrete projects (expansion facility, connector and upgrades) is shown in Table 1 below.

The Province of British Columbia and Tourism Vancouver's shares of the total program is being advanced from the voted appropriations of the Ministry of Tourism, Sport and the Arts (and its predecessor Ministries) in fiscal years 2003/04 through 2008/09.

Separately, VCCEP contracted with the City of Vancouver to construct a parking structure beneath the Project's western slope transition area. The City contributed $4.1 million; VCCEP reallocated the balance required of $1.9 million from Expansion Project funds previously budgeted for its completion of the transition area. VCCEP has also concluded an agreement with Western Economic Diversification Canada for purchase and installation of water management showcase systems (incremental sustainability initiatives). At March 31, 2007, the Project budget and ancillary projects are summarized in Table 1 below.

TABLE 1: VCCEP PROJECT BUDGET AND ANCILLARY PROJECTS

	in $ millions		
Project (Source of Funds)	**Budget [1]**	**Forecast at Completion [1]**	**Variance**
Expansion Project (All Funding Partners)	643.1	tbc	n/a
Connector (Gov't of Canada)	20.0	20.0	0.0
Upgrades to existing facility (Province of BC)	20.0	20.0	0.0
	683.1	**tbc**	**n/a**
Ancillary Projects Funded by Others:			
Western Shell (City of Vancouver)	4.1	4.1	0.0
Incremental Sustainability Initiatives (Gov't of Canada)	2.1	2.1	0.0
Total Projects	689.3	tbc	n/a

[1] *An interim lift to $769.1 million was approved in April 2007 pending confirmation of a final Project budget expected by July 2007.*

At March 31, 2007, Project commitments totaled $500.3 million of which $293.8 million had been expended (leaving $206.5 million to be expended).

FINANCIAL STATEMENTS

Annual financial statements to March 31, 2007, as audited by the Office of the Auditor General of British Columbia ("OAG"), are appended. The OAG has also been approved to conduct audits and reviews required under the Government of Canada Funding Agreement.

MINISTER RESPONSIBLE

Honourable Stan Hagen,
Minister of Tourism, Sport and the Arts.

The Corporation maintains an effective working relationship with the Minister through monthly Project reporting and regular in-person meetings of the Chair and senior staff.

BOARD OF DIRECTORS

VCCEP is currently governed by a ten-member Board of Directors appointed by the Province.

As of April 05, 2007, the Board is comprised of the following members:

- David Podmore (Chair) – President and CEO, Concert Properties Ltd.
- Ken Dobell – Independent Consultant
- Terry A. Lyons – Chairman, Northgate Minerals Corporation
- Paul Taylor (Chair, Audit Committee) – President and CEO, ICBC
- Grant Ritchie – Independent Consultant, former Senior Vice President, UMA Engineering Ltd.
- Derek Brindle – Lawyer, Singleton Urquhart
- Doris Daughney – Corporate Director
- John Horning – Senior Vice President and CFO, Interfor
- Dan Jarvis – President, Destination Club
- Miriam Kresivo – General Counsel and Corporate Secretary, Chevron Canada

Bruce Okabe, Deputy Minister of Tourism, Sport and the Arts (MTSA) and Andrew Wilkinson, lawyer, served on the Board from September 2006 and November 2004 respectively to April 05, 2007. Virginia Green, former Deputy Minister of MTSA previously left the Board in May 2006.

Biographies of the Board members are published on the VCCEP website (www.vccep.bc.ca).

The activities of the Board are guided by the VCCEP Board of Directors Charter. VCCEP has a clear understanding of the roles and responsibilities of its Shareholder and Minister Responsible. An important activity is the identification of potential additional Directors who possess skills and experience in areas relevant to the Corporation's mandate that would augment the expertise of the current Board. The Board's Charter is available on the VCCEP website.

The Board Chair, President and Corporate Secretary ensure that the Board encourages new Directors to participate and be effective as soon as possible. The President and Corporate Secretary provide new Directors with a reference guide "VCCEP Board of Directors Guidebook" and a personal Project briefing. VCCEP also provides ongoing education for Directors with respect to the organization, its sector and corporate governance. Directors are encouraged to attend educational opportunities in the areas of organization and corporate governance. In addition, the Project Team conducts briefings and Board presentations on a regular basis.

VCCEP's Directors are encouraged to meet together, without Management present, at every Board and Committee meeting. An 'In Camera' section is included on all agendas as a standing item.

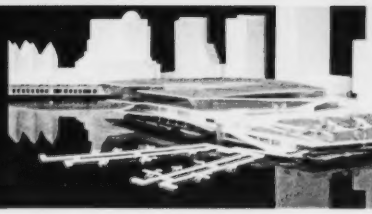
COMMITTEES

Due to VCCEP's specific purpose and time limited mandate, and due to the composition of the VCCEP Board, the Board formed the following two committees to assist it in fulfilling its governance responsibilities.

- Audit Committee
- Committee of the Whole

The Audit Committee, comprised of two Directors having extensive financial expertise - Paul Taylor (Chair) and Terry Lyons, deals with Audit and Financial related matters. The Audit Committee Chair also serves as the direct recipient of any confidential information forwarded under the Corporation's Whistleblowing Policy. The Committee of the Whole is comprised of all Directors and deals with Governance, Performance, Human Resources and Compensation. Charters for both Committees are available on the VCCEP website.

CORPORATE GOVERNANCE



BOARD PERFORMANCE AND ATTENDANCE

The Board has established criteria and a formal process to annually evaluate its Board and each committee against their respective charters; the Chair against the Chair's position description; and Individual Directors against the Director's Charter of Expectations. A summary of the assessment process is posted on the VCCEP website.

The VCCEP Directors are required to attend at least two thirds of Board meetings each fiscal year. Of the fifteen Board meetings held in fiscal 2006/07, the attendance was:

Board of Directors

Ken Dobell (Chair)	93%	Paul Taylor	100%
Virginia Greene [1]	100%	Andrew Wilkinson [3]	93%
Terry Lyons	93%	Bruce Okabe [2]	70%
Grant Ritchie	100%		

[1] *April 2006 - May 2006*

[2] *September 2006 - March 2007*

[3] *November 2004 - March 2007*

Audit Committee

Attendance by Audit Committee members is required at all Audit Committee meetings. The Committee met four times and the members' attendance was:

Paul Taylor (Chair)	100%
Terry Lyons	100%

Committee of the Whole

The Committee of the Whole was struck in September 2005. A two-thirds attendance is requested. The Committee met three times and the members' attendance was:

Ken Dobell (Chair)	100%	Paul Taylor	100%
Terry Lyons	100%	Andrew Wilkinson	100%
Grant Ritchie	100%	Bruce Okabe	–

BOARD REMUNERATION

Compensation of Directors is governed by Treasury Board guidelines. Public servants and employees of tax-supported Provincial Government Agencies serving on the Board are not eligible for compensation from VCCEP other than expenses for their Board activities.

VCCEP's external Directors are paid an annual fee of $7,500 (Chair, $15,000) and a per diem of $500 for each Board or non-consecutive Committee meeting attended. External Directors attending regular meetings of the Board also receive an additional per diem in the amount of $500 in recognition of preparation and travel time. The additional per diem does not apply to meetings of Committees of the Board.

Five external directors received remuneration in fiscal 2006/07:

	Annual Fee	Per Diem	Total
Ken Dobell	$15,000	$14,000 [1]	$29,000
Andrew Wilkinson	7,500	14,000 [1]	21,500
Terry Lyons	7,500	14,000 [1]	21,500
Grant Ritchie	7,500	15,000 [2]	22,500
Paul Taylor	7,500	15,000 [2]	22,500

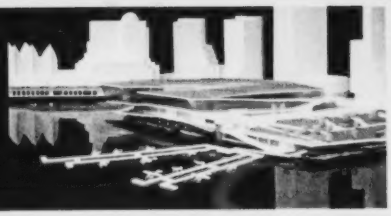
[1] *Fourteen meetings and fourteen preparation days*

[2] *Fifteen meetings and fifteen preparation days*

ETHICS ADVISOR

Carol Roberts (LLM, C.Arb.) provides Ethics advice to the VCCEP Board of Directors, Project Team, and contractors.

CORPORATE GOVERNANCE



CODE OF CONDUCT

The Board of Directors and Project Team are guided by VCCEP's Code of Conduct (posted on the VCCEP website). On an annual basis, Directors and Senior Project Team members submit Code of Conduct disclosures to the Ethics Advisor who reviews the disclosures and provides the Board with an annual report.

CONTACT INFORMATION

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Vancouver, British Columbia V6C 2W2
Tel: 604 484 5200
Fax: 604 484 5201
www.vccep.bc.ca

PROJECT TEAM

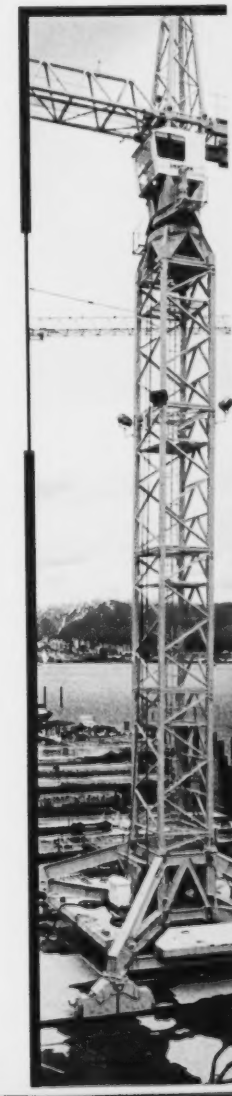
VCCEP is led by a team of executives and project management personnel with extensive experience in planning, designing and building major projects within Canada. The executive group includes:

- Russell J. Anthony – President and Project Director [1]
- Colin E. Smith – Chief Financial Officer and Corporate Secretary [1]
- David N. Walker – Project Manager
- Lou Zoldan – Project Controls Manager
- Ken Grassi – Design Manager
- Krista Freeman, Project Controller [1]
- Alexandra Wagner – Assistant Corporate Secretary [1]

[1] *Corporation Officers*

The Project Team is comprised of personnel from Stantec Consulting, other specialized consultants, and four employees of VCCEP Ltd. A complete list of Project Team members is posted on the VCCEP website.

The Board of Directors has established a formal process to evaluate the performance of the Corporation's President and Corporate Secretary annually. A summary of the process along with position descriptions for both positions is posted on the VCCEP website. An assessment of the performance of the Management Team will be presented as a part of the Project review being completed by the new VCCEP Chair.



Vancouver Convention Centre Expansion Project Ltd.

Financial Statements

Year ended March 31, 2007

Vancouver Convention Centre Expansion Project Ltd.

Statement of Management Responsibility

Management, in accordance with Canadian generally accepted accounting principles, has prepared the financial statements of *Vancouver Convention Centre Expansion Project Ltd.* These statements present fairly the financial position of the Corporation as at March 31, 2007 and results of its operations and cash flows for the year ended March 31, 2007.

Management is responsible for the preparation, integrity and objectivity of the financial statements. Systems of internal control are developed and maintained by management to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Report of the Auditor General outlines the scope of his work on the financial statements of *Vancouver Convention Centre Expansion Project Ltd.*

David Podmore
Chair

Colin Smith
Corporate Secretary &
Chief Financial Officer

Vancouver, British Columbia
May 4, 2007

Report of the Office of the Auditor General of British Columbia

To the Board of Directors of the
Vancouver Convention Centre Expansion Project Ltd., and
To the Minister of Tourism, Sport and the Arts
Province of British Columbia:

I have audited the balance sheet of the *Vancouver Convention Centre Expansion Project Ltd.* as at March 31, 2007 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Vancouver Convention Centre Expansion Project Ltd.* as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 4, 2007

Errol Price, CA
Deputy Auditor General

Vancouver Convention Centre Expansion Project Ltd.
Balance Sheet

(in $000s)

March 31	2007	2006
Assets		
Cash	**13,835**	16,762
Short term investments (Note 4)	**57,198**	50,937
Accounts receivable (Note 5)	**38,397**	4,333
Due from Government of Canada (Note 6)	**11,766**	13,835
Prepaids	**8**	10
	121,204	85,877
Long term investments (Note 4)	**88,151**	68,202
Capital assets (Note 7)	**284,127**	181,411
	493,482	335,490
Liabilities		
Accounts payable (Note 8)	**20,087**	15,937
Deferred revenue (Note 9)	**6,897**	2,283
Deferred contribution – City of Vancouver (Note 10)	**-**	40
Deferred contribution – Other (Note 11)	**192,859**	114,463
	219,843	132,723
Shareholder's equity		
Share capital (Note 12)	**-**	-
Contributed surplus (Note 13)	**272,500**	201,648
Retained earnings	**1,139**	1,119
	273,639	202,767
	493,482	335,490

Commitments (Note 14)
Contingent Liabilities (Note 15)

On behalf of the Board

Chair

Director

The accompanying notes are an integral part of these financial statements.

Vancouver Convention Centre Expansion Project Ltd.
Statement of Income and Retained Earnings

(in $000s)

Years ended March 31	**2007**	2006
Income		
Rent	**51**	51
	51	51
Expenses		
Property tax	**-**	(3)
Amortization	**31**	97
	31	94
Net income (loss) for the year	**20**	(43)
Retained earnings – beginning of year	**1,119**	1,162
Retained earnings – end of year	**1,139**	1,119

The accompanying notes are an integral part of these financial statements.

Vancouver Convention Centre Expansion Project Ltd.
Statement of Cash Flows

(in $000s)

Years ended March 31	**2007**	2006
Operations:		
Net income (loss)	**20**	(43)
Non-cash items		
Amortization of capital assets	**31**	97
Cash provided by (used in) operating activities	**51**	54
Investments:		
Capital asset additions	**(107,823)**	(82,893)
Interest earned	**5,077**	3,797
Long term investment	**(19,949)**	(48,333)
Accounts receivable	**3,336**	123
Accounts payable	**4,150**	5,188
Cash provided by (used in) investing activities	**(115,209)**	(122,118)
Financing:		
Due from Government of Canada	**2,069**	10,799
Deferred revenue	**4,614**	1,000
Contributions – City of Vancouver	**(40)**	(3,630)
Contributions – Government of Canada (INFC)	**48,406**	38,172
Contributions – Government of Canada (WED)	**391**	-
Contributions – Province of BC	**40,852**	69,500
Contributions – Tourism Vancouver	**22,200**	19,000
Cash provided by (used in) financing activities	**118,492**	134,841
Net decrease in cash and cash equivalents	**3,334**	12,777
Cash and cash equivalents - beginning of year	**67,699**	54,922
Cash and cash equivalents - end of year	**71,033**	67,699

Cash and cash equivalents		
Cash	**13,835**	16,762
Short term investments	**57,198**	50,937
Total cash and cash equivalents	**71,033**	67,699

The accompanying notes are an integral part of these financial statements.

Vancouver Convention Centre Expansion Project Ltd.

Notes to the Financial Statements

For the year ended March 31, 2007

(tabular amounts in $000s)

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1) Nature of Business

The Vancouver Convention Centre Expansion Project Ltd. (the "Corporation") was incorporated under the laws of British Columbia on February 13, 2003. A board of directors, all appointed by the Corporation's sole shareholder, the Province of British Columbia, governs the Corporation.

The Corporation's purpose is to design, build, commission and own an expansion of the convention centre in downtown Vancouver. Upon commissioning, a separate entity will operate the expanded facility.

The Corporation is exempt from federal and provincial income taxes.

2) Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Construction-in-progress

All costs of construction are recorded at cost and include direct costs during development and construction, as well as value-in-kind contributions (Note 2 j), property taxes and the applicable portion of interest. At the point in time when the facilities are substantially completed, these costs will be transferred to capital assets. They will be subsequently amortized over their estimated useful lives.

b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

c) Environmental costs

Environmental costs are recorded when a determination of liability is made and the related costs can be reasonably estimated.

2) Significant Accounting Policies (continued)

d) Investments

Short term investments consist of low duration, fixed income securities such as treasury bills as well as corporate and government bonds which mature within one year. Long term investments consist of Government of Canada, corporate and provincial bond issues.

Short term investments are recorded at the lower of cost or fair value and long term investments are recorded at cost. Any accrued interest is recorded as an account receivable (Note 4 and 5).

e) Capital asset amortization

Capital assets are stated at cost and amortization is being calculated on the straight-line basis using the following rates:

Asset	Rate
Furniture and equipment	33%
Computer hardware	33%
Computer software	33%

f) Foreign currency translation

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date.

Any foreign currency denominated monetary liabilities are restated using the prevailing rate of exchange at the balance sheet date.

g) Related party transactions

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, unless disclosed separately in these financial statements, are generally considered to be in the normal course of operations and are recorded at the exchange amount.

h) Deferred revenue

The Corporation receives revenue in advance from lease and business alliance agreements. Deferred revenue and expenses incurred to generate this revenue are amortized on a straight-line basis over the term specified in the agreements.

2) Significant Accounting Policies (continued)

i) Deferred contributions

Contributions for the construction of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

j) Value-in-kind (VIK)

The Corporation has entered into agreements where VIK is provided. VIK is recognized at fair value and when the goods would otherwise have been purchased (including any applicable taxes). The VIK provided by these agreements is included in construction in progress (Note 2 a).

3) Funding

At March 31, 2007, the budgeted cost of $643.1 million for construction of the new convention centre facility (Expansion facility) is to be shared by the Government of Canada ($202.5 million), the Province of British Columbia (up to $320.6 million) and Tourism Vancouver ($90 million). A minimum of $30 million of further funds will be secured from commercial opportunities arising from the expansion.

Tourism Vancouver's funding is being financed by way of contributions advanced on its behalf from the Province of British Columbia (Note 11).

In addition to the contributions noted above for the Expansion facility, the Government of Canada will fund $20 million towards the construction of a connection between the Expansion facility and Canada Place, and the Province of British Columbia will fund $20 million of upgrades to the existing facility at Canada Place.

In March 2005, the Corporation entered into a separate $2.1 million funding agreement with Western Economic Diversification Canada (WED) for incremental sustainability initiatives to be added to the expansion project.

Subsequent to year end, on April 11, 2007, the Province approved a further interim lift of $86 million for the Expansion facility raising the new facility's budget to $729.1 million (and the Province's related contribution to $406.6 million).

4) Investments

	March 31 2007	March 31 2006
Short term:		
Cash	**2**	7
Canadian treasury bills with maturities of twelve months or less and interest rates of 4.18% (3.46% to 4.03% in Fiscal Year 05/06).	**910**	35,554
Government and corporate bonds maturing within twelve months and interest rates of between 2.75% and 4.50% (3.25% to 3.50% in Fiscal Year 05/06).	**41,984**	11,520
Strip coupons maturing within twelve months with interest rates of up to 4.0%.	**14,302**	3,856
Total cost	**57,198**	50,937
Fair value	**57,292**	51,202
Long term:		
Government of Canada, provincial and corporate bonds maturing between April 2008 and October 2008 with interest rates of 3.70% to 6.00% (2.75% to 4.50% in Fiscal Year 05/06).	**86,265**	52,547
Strip coupons maturing in June 2008 with interest rates of up to 4.13%.	**1,886**	15,655
Total cost	**88,151**	68,202
Fair value	**88,163**	67,838

5) Accounts Receivable

	March 31 2007	March 31 2006
Trade	**3**	53
Interest	**114**	815
GST	**880**	1,058
Due from Rapid Transit Project 2000 Ltd.	**-**	7
Due from Forestry Innovation Investment Ltd.	**-**	2,400
Due from Province of BC	**30,000**	-
Due from Province of BC (Tourism Vancouver)	**7,400**	-
	38,397	4,333

6) Due from Government of Canada

a) Project funding

The funding agreement between Infrastructure Canada and the Corporation specifies that the Corporation may submit claims for reimbursement of paid eligible costs to a maximum of $222.5 million. At March 31, 2007, the Corporation has recovered $122.2 million of the $126.5 million in total claims submitted for recovery of paid eligible costs.

b) Incremental funding

The funding agreement between WED and the Corporation specifies that the Corporation may submit claims for reimbursement of paid eligible costs to a maximum of $2.1 million. At March 31, 2007, the Corporation has recovered $946,238 of the $954,191 total submitted claims for eligible costs under this agreement.

	March 31 2007	March 31 2006
Infrastructure Canada:		
Total claims submitted	**126,516**	78,533
Payments received	**122,247**	71,381
Claims receivable	**4,269**	7,152
Accrued (unpaid) eligible costs	**7,098**	6,675
Receivable from Infrastructure Canada	**11,367**	13,827
Western Economic Diversification Canada:		
Total claims submitted	**954**	954
Payments received	**946**	946
Claims receivable	**8**	8
Accrued (unpaid) eligible costs	**391**	-
Receivable from WED	**399**	8
Total due from Government of Canada	**11,766**	13,835

7) Capital Assets

	March 31, 2007			March 31 2006
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Land	38,646	-	**38,646**	38,646
Furniture and equipment	55	50	**5**	15
Computer hardware/software	238	236	**2**	23
Construction-in-progress	245,474	-	**245,474**	142,727
	284,413	286	**284,127**	181,411

Land consists of $28 million for the purchase of the Convention Centre lands from FHR Properties in March 2003, and $10.6 million for the purchase of Lot D from the City of Vancouver.

The Corporation has exercised an Option to Purchase Water Lot 22 from FHR Properties for the sum of $1.00. Lot 22 is adjacent to the Convention Centre lands already owned by the Corporation. The Corporation is required to consolidate all of its existing lands (Parcels D, E, Water Lot 23 and Water Lot 22) into one parcel. To facilitate site consolidation, the Corporation and the City of Vancouver have agreed to a transfer of a portion of the City's road dedications through the Corporation's lands in exchange for the westerly portion of Lot 22. It is anticipated that the transfer of ownership of the western portion of Lot 22 to the City and the site consolidation of the Corporation's lands will be completed by June 2007.

Construction-in-progress is net of interest earned of $11.5 million ($6.4 million at March 31, 2006) and includes $3.1 million of steel pipe which was transferred to the Corporation by the Province, upon windup of the Vancouver Trade and Convention Centre Authority. The pipe is also reflected in contributed surplus (Note 13).

8) Accounts Payable

	March 31 2007	March 31 2006
Trade	**14,469**	14,449
Lien holdbacks	**5,550**	1,365
Due to Minister of Finance	**68**	70
Due to Rapid Transit Project 2000 Ltd.	**-**	53
	20,087	15,937

9) Deferred Revenue

	March 31 2007	March 31 2006
Bell Canada	**5,000**	-
Forestry Innovation Investment Ltd.	**4,000**	3,400
Unearned lease revenue	**2**	2
Total deferred revenue	**9,002**	3,402
Less: revenue generation expenses to date	**2,105**	1,119
Net deferred revenue	**6,897**	2,283

10) Deferred Contribution – City of Vancouver

The Corporation entered into an agreement with the City of Vancouver, whereby the City has funded $4.1 million for construction of a parking structure below the future Thurlow Street plaza (referred to as the Western Shell), which the Corporation project managed as part of the expansion project. At June 30, 2006, this structure was completed.

	March 31 2007	March 31 2006
Total funding received	**4,076**	4,076
Western Shell costs to date	**4,076**	4,036
Net deferred contribution	**-**	40

11) Deferred Contribution – Other

Contributions received from the Government of Canada (including accrued eligible costs) and Tourism Vancouver are as follows:

	March 31 2007	March 31 2006
Government of Canada (INFC)	**133,614**	85,209
Government of Canada (WED)	**1,345**	954
Province of British Columbia (Tourism Vancouver)	**57,900**	28,300
	192,859	114,463

12) Share Capital

The Corporation has authorized capital of 100,000 common shares without par value of which 100 shares are issued and outstanding. The Minister of Tourism, Sport and the Arts holds the share issued as the designated representative of Her Majesty the Queen in right of the Province of British Columbia.

13) Contributed Surplus

The Corporation received contributions as follows:

	March 31 2007	March 31 2006
Province of British Columbia	**269,352**	198,500
Province of British Columbia (VTCCA pipe)	**3,148**	3,148
	272,500	201,648

14) Commitments

a) Construction-in-progress

As at March 31, 2007, the Corporation is committed to future expenditures of approximately $206.0 million ($152.6 million at March 31, 2006) for contracts currently entered into with respect to the Project.

b) Operating Lease

The Corporation is committed to payments under operating leases as follows:

	March 31 2007	March 31 2006
Year ending March 31, 2008	**322**	275
2009	**160**	140
2010	**1**	-

15) Contingent Liability

The Corporation has issued Letters of Credit to the following:

	Value (in $)	Expiry Date
City of Vancouver:		
Thurlow Street Viaduct warranty costs	$211,940	October 20, 2007
Department of Fisheries and Oceans Canada:		
Habitat compensation and monitoring	$100,000	September 3, 2007

The Letters of Credit include an annual auto-renewal clause, unless cancelled prior to the expiry date.

16) Financial Instruments

The Corporation's financial instruments consist of cash, short term investments, accounts receivable, long term investments and accounts payable. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

17) Comparative Figures

Certain 2006 figures have been reclassified to conform with the current year.